

NEW PRODUCT ADVISORY No. 03-020

A FULL SERVICE PLAN'S PROPOSAL TO INCLUDE CALENDAR YEAR DEDUCTIBLES IN COMMERCIAL GROUP CONTRACTS

ACTION: Review Concluded November 13, 2003

Amendment proposing to include overall calendar year deductibles in commercial small, medium, and large group contracts, and hospital and outpatient surgery deductibles in commercial medium and large group contracts.

Filing Nos. 20037224 and 20037968

Filed September 4, 2003 and November 7, 2003

SUMMARY

An Amendment filed by a particular full service plan initially requested the Department's approval for overall deductibles in amounts as high as \$2000 per individual and \$4000 per family per calendar year for all lines of commercial business.

Based upon the Department's objections to these excessively high deductibles, the particular Plan lowered the overall deductibles for small, medium, and large group contracts, and hospital and outpatient surgery deductibles for medium and large group contracts, to \$500 or \$1000 per individual, with a maximum of \$1000 or \$2000, respectively, per family per calendar year.

Under both the initial and the modified deductible proposals submitted by the particular Plan, no preventive services will be subject to any deductibles, and any amounts paid towards the deductibles will apply towards the annual out-of-pocket maximum.

The Department concluded that, based upon several references in the Knox-Keene Health Care Services Plan Act of 1975 (the "Act") to deductibles, some use of deductibles may be permissible within the framework of the Act's requirements that plans provide all medically necessary basic health care services and assume full financial risk for covered products and services. The Department approved the modified deductible proposal as a pilot program for a limited term for contracts beginning on or before June 30, 2006, subject to several conditions. These conditions include:

- Ensuring that no preventive services are subject to any deductible;
- Applying the deductible towards the annual out-of-pocket maximum;
- Ensuring that any amounts paid by enrollees to non-contracting providers for emergency services, or other authorized services subject to a deductible, apply towards the deductible until the deductible is satisfied;

- Tracking amounts paid by members towards the deductible, notifying members when they satisfy the deductible, and reimbursing members for any deductible amounts inadvertently paid in excess of the scheduled deductible;
- Charging only the particular Plan's cost for services subject to the deductible;
- Disclosing the deductibles in the Evidence of Coverage and any advertisements to the Department's satisfaction; and

Tracking and reporting member grievances and utilization of services as required and through a research program, whose research design and staffing arrangements meet the Department's satisfaction, to monitor the impact of the deductibles on members. The research program may include working with a foundation designated by the Department and will focus on diabetes and no fewer than two other chronic medical conditions determined by the Department. The particular Plan is required to submit its findings and those of a participating foundation within one quarter of the conclusion of the first full calendar year of use of products with the deductibles.

Based on the particular Plan's proposed deductibles for commercial group contracts, the Plan was permitted to implement the proposed product, subject to any future review and revision that may be necessary.

BASIS OF ACTION

Sections 1345(b), 1363, 1367(d), 1367(e), 1367(h), 1367(i), 1373.18, and 1375.1(a)(2) and Rules 1300.67, 1300.67.1, 1300.67.2, and 1300.67.4(a)(3)(A)